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DOI <https://doi.org/10.26661/2414-0287-2021-2-50-13>**STRATEGIC DIRECTIONS OF INTERNATIONAL INVESTMENT ACTIVITY AMID PANDEMIC****Duhienko N.O., Venherska N.S., Osaul A.O.***Zaporizhzhia National University**Ukraine, 69600, Zaporizhia, street Zhukovsky, 66*

dugienkonata@ukr.net, nataljavengerskaja@ukr.net, alinaosaul@ukr.net

ORCID: 0000-0002-4551-5548, 0000-0001-8171-82066

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The features of international investment activity amid pandemic have been revealed in the article. Current position of international investment activity affected by the pandemic and international investment policy have been analyzed. The quarantine has slowed down international investment projects, that is why governments have imposed new investment restrictions. In addition to the pandemic, international investment processes have been affected by the next factors: new industrial revolution, political shifts toward greater economic nationalism, and sustainability trends. These determinants will have long term impact on the configuration of international production over the decade to 2030. The analysis of foreign direct investment in Ukraine have been carried out and the problems of attracting investments in the context of economic security have been determined. Strategic trends of foreign direct investment in Ukraine have been revealed to achieve sustainable development goals, high level of economic security and minimization of the pandemic consequences. Recommendations for the formation of Ukraine's international innovation and investment strategy in the context of integration processes and transnationalization of the economy have been proposed. Regulation of international investment activity in Ukraine should be aimed at creating an effective legal framework, attractive investment climate, and appropriate institutional support. It is necessary to respond to the problems of mobilization, directions and return of investments, including sustainable development goals and the concepts of national investment policy.

СТРАТЕГІЧНІ НАПРЯМИ МІЖНАРОДНОЇ ІНВЕСТИЦІЙНОЇ ДІЯЛЬНОСТІ В УМОВАХ ПАНДЕМІЇ**Дугієнко Н.О., Венгерська Н.С., Осаул А.О.***Запорізький національний університет**Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**

міжнародна інвестиційна діяльність, міжнародне інвестиційне виробництво, прямі іноземні інвестиції, сталий розвиток, транснаціоналізація, пандемія.

У статті розкриваються особливості міжнародної інвестиційної діяльності в умовах пандемії. Проаналізовано сучасний стан міжнародної інвестиційної діяльності під впливом пандемії та міжнародну інвестиційну політику країн світу. Введення карантину уповільнило розпочаті міжнародні інвестиційні проекти, урядами країн було введено нові інвестиційні обмеження. Окрім пандемії, на міжнародні інвестиційні процеси вплинули такі фактори як нова промислова революція, зрушення політики в бік більшого економічного націоналізму та тенденції стійкості. Ці фактори матимуть далекосяжні наслідки для конфігурації міжнародного виробництва протягом десятиліття до 2030 року. Здійснено аналіз прямого іноземного інвестування в Україні та визначено проблеми залучення інвестицій в контексті економічної безпеки. Розкрито стратегічні напрями прямого іноземного інвестування в Україні задля досягнення цілей сталого розвитку, високого рівня економічної безпеки та мінімізації наслідків пандемії. Запропоновано рекомендації щодо формування міжнародної інноваційно-інвестиційної стратегії України в умовах інтеграційних процесів та транснаціоналізації економіки. Регулювання міжнародної інвестиційної діяльності в Україні має бути спрямоване на створення ефективної законодавчої бази, привабливого інвестиційного клімату, відповідного інституційного забезпечення. Необхідно реагувати на проблеми мобілізації, напрямки та віддачу інвестицій, включаючи цілі сталого розвитку до концепцій національної інвестиційної політики.

Statement of the problem

Attraction of long-term foreign investments, as well as activities intensification aimed at their “promotion” during the independence period in Ukraine was one of the priorities of its economic policy determined by a number of official documents. However, unfortunately, today Ukraine is considered by foreign investors, firstly, as a country with unattractive investment climate, and secondly, as a country with a rich resource base, which governments and TNCs want to use for their own economic interests, not taking into account national priorities of Ukraine. There is also a need to include Sustainable Development Goals (SDGs) in the development of the country's international investment strategy amid pandemic.

It is important to take into account the pandemic impact on attracting foreign direct investment (FDI). World practice shows that countries may choose a strategy to attract investment to copy technology or create new jobs, but the country may lose its own economic resources, including natural resources, which in turn reduces their economic security. Therefore, the issue of attracting and encouraging foreign direct investment is an important component of the programme of economic reforms in Ukraine. FDI can become an engine for economic growth and prosperity shaped by the competent government investment policy of Ukraine.

Analysis of recent studies and publications

Markevych K.L. [1], Dykii N.O. [2], Zadoia A.O. [3] and other have studied international investment trends in Ukraine. The study of foreign countries experience analysis in the development of investment activities and international investment have been made by the Ukrainian scholars, in particular: Gutkevych S.O., Sydorenko P.O., Solomko A.S. [4], Pashchenko O.V. [5] and Gryniowa A.V. [6]. Despite the presented scientific achievements, the problem of attracting investment during the pandemic and after it is insufficiently studied and requires the study of foreign direct investment inflow taking into account new conditions.

Objectives of the article

The objective of the article is to analyze international investment activities in modern conditions and substantiate the strategic directions of attracting foreign direct investment in Ukraine during the pandemic.

The main material of the research

Investment activity becomes international when it involves crossing the customs border. International investment activities are carried out in two directions: the export of capital and attraction of foreign investment [6]. The export of capital is determined by the factors like country's capital surplus, the demand for new markets and raw materials, the formation of a competitive economy, international division of labour and transnationalization of an economy.

Foreign capital flows are inextricably linked to multinational corporations. Nowadays transnational corporations have become one of the main drivers of globalization. Transnationalization of the economy is one of the main parts of the global economy. As an important element of globalization, it directly influences its development and has almost become its synonymous, helping to accelerate the processes of rapprochement and interpenetration of different cultures, civilizations, states, regions, economic systems, markets and institutions [7].

In Economics, the concept of investment strategy is applied to individual participants of the investment process – investors, financial intermediaries, as well as to territorial systems (country, region and municipal institutions) [8–9]. National investment strategy is a strategy and programme to stimulate investment inflow into the country's general development, its industry, economy and enterprises, to improve the level and quality of life (in the development and growth of human capital, infrastructure and institutional development).

The main goals of the state's investment strategy are to create attractive investment and business climate (both terms are, in fact, synonymous); increase investments; develop human capital; create competitive economy; diversify the economy; develop the priority industries with high added value; rise the efficiency of the national economy; improve the level and quality of life; solve national defense and geopolitical tasks [9].

To ensure sustainable development goals amid pandemic, i.e. dynamic change, international investment strategy must be based on the principles of adaptability and flexibility of the investment process, to provide a rational structure of investment in specific conditions, a reasonable ratio of specialization to diversification.

The world economy is currently facing a serious crisis caused by the COVID-19 pandemic. Its direct impact on FDI has come as a shock to supply, demand and investment policy. The introduction of quarantine has slowed down international investment projects. Policy measures have also been introduced, which included new investment restrictions. From 2022, investment flows will be gradually restored through reorganization to ensure sustainability, replenishment of fixed capital and recovery of the world economy [10–11].

However, the COVID-19 crisis has already caused a sharp decline in FDI. The decline in global FDI inflows in 2020 has led to new FDI falling below \$ 1 trillion for the first time since 2005. According to forecasts, in 2021 FDI will decrease by another 5–10% and will begin to recover in 2022. In 2022, the return of FDI to the long-term trend before the pandemic is possible, but only at the upper limit of expectations. The impact varies by region. FDI losses are expected most in developing countries, as they are more dependent on investment in industries related to global value chains and extractive industries, and because they cannot take the same economic support measures as developed countries.

COVID-19 is not the only factor that has radically changed FDI. A new industrial revolution, shift toward greater economic nationalism, and trends in sustainability will have far-reaching implications for international production configuration over the decade to 2030. The general trend of international production is aimed at reducing value chains, higher value added concentration and lower international investment in physical assets. This will create huge challenges for developing countries. For decades, their development and industrialization strategies have depended on attracting FDI, expanding participation and retaining added value, and gradually improving technology within international production systems.

The expected transformation of international production also opens up some opportunities for development, such as promoting investment aimed at increasing resilience to shocks, creating regional value chains and entering new markets through digital platforms.

Amid pandemic, some rebalancing towards growth is needed based on domestic and regional demand and encouraging investment in infrastructure and domestic services. This means encouraging investment in sustainable development sectors, in particular in promising projects in the areas of infrastructure, renewable energy, water and sanitation, food and agriculture, and health care.

It is worth noting that there is a change in investment policy during the pandemic. Support measures include simplification of online investment procedures, pandemic-related agency services to encourage investment, and new measures to encourage investment in health care. Several countries have tightened foreign investment controls to protect their medical and other strategic sectors. Other measures include binding production, a ban on the medical equipment export and import duties reduction on medical goods. The crisis has also slowed down negotiations on international investment agreements.

Pandemic causes long-term consequences for investment policy. On the one hand, it may increase the shift towards more restrictive foreign investment policy in different strategic areas. On the other hand, it may tighten countries' competition for investment to overcome the crisis. At the international level, pandemic will arise the reform in international investment agreements' procedure, as governments' response to the epidemic crisis and its economic outcomes may create problems related to the implementation of national obligations under the agreements.

Trends in technology, policy and sustainability have a multifaceted impact on international production. Formation of one of the four trajectories depend on every industry's initial position, its status in international production (table 1).

Achievement of the Sustainable Development Goals (SDGs) is one more important megatrend. More than 150 countries have adopted national sustainable development strategies or revised existing SDG development plans. UNCTAD's analysis shows that, while many of these strategies emphasize the need for additional financial resources, very few of them contain specific roadmaps for promoting investment in SDG.

FDI stock has recently declined in Ukraine as Russian investors have seized much of the assets they previously owned. However, according to the UNCTAD World Investment Report for 2020, FDI inflows amounted to \$ 3.1 billion in 2019, up from \$ 2.3 billion in 2018 (+ 30%). FDI was about \$ 49 billion in 2019 compared to \$ 53 billion in 2010. They mainly invested in manufacturing, wholesale and retail trade, mining, financial services and real estate. To attract more FDI inflows, Ukraine has simplified and reduced costs of registering of foreign trade entities' office representatives. The dynamics of foreign direct investment net inflow as % of GDP shows that 2014–2015 period was critical, as the military conflict in Donbass began in Ukraine. In 2019, the FDI net outflow (% of GDP) for Ukraine was 0.4%.

Table 1 – International investment production set amid pandemic

International investment production set amid pandemic	Main outcomes of different trajectories for host countries' investment and development
Reshoring	Potential restructuring shock, including investment withdrawal, relocation; redirection of investments. Reduction of efficiency-biased FDI resources. The need for reindustrialization or counteraction to premature deindustrialization. Complications in integration into global supply chains and production development of higher level.
Diversification	Higher ability of integration into global supply chains, with rising management flexibility, focusing on platforms and reducing capital intensity. Accelerate transition to intangible assets and global service chains based on services. Value concentration, which makes it difficult to maintain value in host countries. Participation in global supply chains contributes to the quality of hard and soft digital infrastructure.
Regionalization	Transition from global efficiency-biased investments to regional investments focused on market development. Transition from vertical investment of global supply chains to clusters funding and a broader industrial assets. Close reshoring reproduces the effects of reshoring restructuring (but mitigates others). Building regional value chains requires regional economic cooperation.
Copying	Transition from investment in large industrial production to investment into small distributed production. Local production services and production facilities are a necessary condition for attracting final production to global supply chains. Growing need for cost-effective physical support infrastructure and quality digital infrastructure (hard and soft).

Source: compiled by the authors on the basis [10-11]

Although the FDI net outflow to Ukraine (% of GDP) has significantly fluctuated in recent years, in general it has increased between 2000 and 2019, amounting to 0.4% in 2019 [12–14].

Statistics on the total foreign direct investment stock (FDI) in the economy of Ukraine allow us to certify that its dynamics were significantly affected by the military conflict in Donbass, financial and banking crisis of 2014–2015 and the following slow structural reforms.

It is worth noting that the military conflict in Donbass has only deepened the wide range of typical problems of attracting FDI to Ukraine. Low FDI growth rate in the Ukrainian economy is explained by a significant outflow of non-resident capital from the Ukrainian economy, which provoked funds shortage in the domestic financial market, which drastically limited investment objects supply to potential investors; instability of the general macroeconomic situation, which caused rapid growth of consumer prices negative balance of payments, significant and unpredictable changes in national currency exchange rate, in-government corruption and lack of tax incentives.

Direct investment (equity) inflow statistics into the economy of Ukraine in 2019 reveal that almost 26% of FDI to Ukraine come from Cyprus [14], which is one of the closest to us offshore zones. One can consider it as funds return which were previously offshored for “laundering”.

Thus, today offshore zones are used by a typical way for Ukrainian entrepreneurs to avoid excessive tax burden. Entrepreneurs pull a substantial amount of capital to foreign tax jurisdictions and hide their activities behind offshore companies to protect funds. The problem is in pulling not only Entrepreneurial but also governmental capital. This deteriorates national economic situation.

There are some features of foreign investment in Ukraine. Firstly, despite the fact that about 130 countries put foreign direct investment (FDI) in the economy of Ukraine in 2020, the bulk of funding for many years has accounted for a small number of countries. This indicates a slight geographical diversification of FDI exporting countries to Ukraine. Secondly, FDI in Ukraine is formed by two groups of capital: stock owned by foreign residents and stock controlled by foreign companies or owned by Ukrainian residents (Ukrainian capital was previously pulled from the country, usually to offshore jurisdiction). A survey of FDI exporting countries to Ukraine's economy shows low FDI share from developed countries, while the number of offshore zones is quite significant. In this way, offshore investment shifts the capital from the developed countries into the Ukrainian economy. It provides only quantitative indicators of FDI inflows growth to Ukraine, but not qualitative ones.

Regulation of international investment activity in Ukraine should be aimed at effective legal framework, attractive investment climate, and appropriate institutional support. In addition, it is advisable to stimulate transition to the innovative type of expanded reproduction and

to give priority to investment in high technology and intellectual capital. Foreign investors have the next expectations of the authorities: commitment, openness and accessibility of local authorities; participation of officials in problem solving, quick response to appeals; access to the necessary information, assistance in finding business partners and suppliers; “Single window”, easy registration and doing business, rules and procedures; support in obtaining benefits provided by the legislation; adaptation of proposals in the field of education to business needs (labour market); efficient feedback from companies operating in the market; absence of corruption and other abuse.

Land market openness in Ukraine has caused a surge in interest in international investment into agro-industrial complex for the last two years. Food producers have purchased and leased agricultural land in Ukraine to meet their food security strategy. This has so far attracted the most public attention. Never the less, it is only one of a variety of actual or planned investment flows having different motives.

Some developing countries seek to attract and encourage foreign investment in their agricultural sectors. For them, foreign direct investment is seen as a potentially important tool to covering investment deficit, although it is unclear whether they meet real investment needs or not. Financial advantages of asset transfer to host countries seem insignificant. For example, land rents are generally low or even equal zero, while various tax benefits, often offered to foreign investors, mean tax revenue losses. However, foreign investment is seen as potentially beneficial for the development, for example, through technology transfer, job creation and infrastructure improvement [15].

Amid land market openness, foreign investment in land procurement is controversial and entails some inherent risks. The importance of the economies of scale or infrastructure investment support explain investors' preference of land purchase and large-scale commercial agriculture business. To protect Ukraine's national economic interests and economic security, it is necessary to diversify the forms of investment, including joint ventures or contract management. These schemes may be better for the common value of small businesses in Ukraine's agro-industrial complex.

International investment should bring development benefits to Ukraine in terms of technology transfer, job creation, and so on. However, these advantageous flows are not automatic: one should be careful when forming investment contracts and selecting appropriate business models, as well as appropriate legal and policy frameworks to ensure development support and minimize risks. There is an urgent need to monitor the scale, nature and implications of international investment and to catalog best practices in law and policy area for better awareness.

Conclusions

In the context of a pandemic, it is necessary to develop a new set of measures to promote a “powerful surge” of

private sector investment in SDG and strengthen trends in environmental and social management practice application. Current investment in SDG sectors in Ukraine is too small, sustainable projects funding is not sufficient, and investment policies directly related to SDG are implemented not quickly enough. The situation

is becoming more complicated under the effect of COVID-19 crisis. It concerns that economic recovery could replace the progress in achieving SDG. It is necessary to respond to the problems of mobilization, trends and return on investment, including SDG in the concepts of national investment policy.

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